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CENTRAL INTELLIGENCE AGENCY
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INTELLIGENCE MEMORANDUM

Changes in Argentina Foreign Policy

Summary and Key Judgements

For the past two years, President Videla has sought to comply with US requests to improve human rights in Argentina and to accept international restrictions on nuclear development without providing his domestic opponents with an opportunity to exploit deep-rooted popular feelings of xenophobic nationalism. Videla wants good relations with Washington to continue, but a series of US restrictions on Argentina's access to loans and credits have convinced him and his advisers that they must adopt a more pragmatic foreign policy that lessens Argentine dependence on the US.

The return of domestic tranquility to Argentina coupled with its sound financial standing and its recognized technical expertise in nuclear energy are proving to be strong incentives for many countries to respond to Buenos Aires' initiatives. Even if US relations with Argentina were to improve dramatically, it would be difficult for Argentine leaders to alter the independent course they have embarked on.

This memorandum was prepared by the Latin America Division of the Office of Regional and Political Analysis. It was requested by the Assistant Secretary of State for Inter-American Affairs. Questions and comments may be addressed [redacted] 3.5(c)

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The Stimulus for Change

The current reappraisal and shifts in Argentine foreign policy directly respond to the series of rebuffs felt by the Videla government in its relations with Washington. Nevertheless, Argentine governments have long recognized the need to inject greater vitality into their foreign policy, so that a more assertive and more consciously directed internationalism is long overdue.

Decades of preoccupation with domestic crises have left Buenos Aires with a reactive though generally pro-Western foreign policy while its neighbor and rival, Brazil, has successfully reached beyond regional limitations to find itself increasingly treated as an apprentice great power. The Brazilian experience, among other factors, has brought home to Buenos Aires the awareness that a broad-based foreign policy can be an effective instrument for national development. This is clearly a direction in which Argentina wants to move.

This larger context for Argentina's foreign policy might have remained a distant ideal, however, without the stimulus of Washington's recent initiatives, which have been interpreted in Buenos Aires as disfavor. US criticisms of Argentine human rights and nuclear policies coupled with the practical effects of restrictions on Argentina's access to loans and credits for high cost industrial imports were impossible for Buenos Aires to ignore.

Argentine resentment toward what it regards as US interference in its internal affairs strikes deep nationalistic chords. Argentines have long realized that their predominately agricultural economy forces a dependence on the outside world for markets, sophisticated technology, and investments. They understand too that their economic position leaves them vulnerable to unwanted influences. Past efforts by foreign governments, chiefly Great Britain and the US, to shape political developments in Argentina have made the public susceptible to manipulation by leaders playing on xenophobic nationalism.

Early in the independence period, for example, the dictator Rosas increased his popular appeal by defying a

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British and French blockade of Argentine ports. A more modern example is in the mid-1940s when Peron exploited US opposition to his candidacy as the key issue in his presidential campaign.

President Videla, far from being a demagogue himself and inclined toward rather than away from the US, must nevertheless respond to what the Argentine public perceives as discriminatory treatment from Washington. His attitude toward a correct relationship with the US relates to this public mood, to the survival of his own regime, and to the economic and political reforms he intends to carry out.

Videla's Difficult Balancing Act

Political realities in Argentina circumscribe a favorable response from Videla to US policy initiatives. Although the cost of invoking Washington's displeasure is potentially heavy in the financial sphere, it is still less severe than the domestic cost of seeming to acquiesce to US pressures. This latter course could lead to Videla's being pushed aside by military extremists and to the formulation of even worse policies from the US point of view.

In the economic sphere, productive US-Argentine relations would mesh ideally with Videla's aims. For the past two years, the President and his able Economy Minister, Martinez de Hoz, have sought to reverse an economic decline by stimulating exports and attracting foreign capital. Isolation from the US in no way fits that goal. Videla, moreover, is personally comfortable with the general thrust of Washington's human rights policy. He has attempted to reduce repression by Argentina's security services and seems sincerely interested in gradually preparing the way for a return to civilian rule. He is frequently stymied, however, by the strength of a military clique that wants to end even a pretense of a return to democracy. This domestic opposition perceives a need to maintain a strong campaign against those whom it believes to be subversives, and, in fact, would like to move the economy toward some form of corporate state.

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Although Videla must operate within the limits of these constraints, his interest in preventing the relationship with Washington from deteriorating any further is clearly reflected in the damage-limiting style he has adopted in difficult situations. As a demonstration of good intentions in the human rights field, for example, he has directed that a concerted effort be made to comply with US requests for the release of political prisoners held under emergency procedures. At the same time, however, he has been careful to ensure that any slackening of anti-subversive measures remains consonant with the perceptions of his security chiefs regarding the extent of the terrorist threat. Any concessions on nuclear policy are also a highly sensitive issue. For instance, Videla made a point of adamantly insisting on Argentina's right to proceed with a nuclear power program when he went against the advice of many of his advisers and signed the Tlatelolco Treaty. Overall, official protests against US moves have been reserved for instances where the Argentines felt a sense of national humiliation, such as the well-publicized denial of military and economic assistance; their lesser complaints have been conveyed privately and with considerable care.

The New Diplomacy

The Argentine Foreign Ministry, instead of pursuing a vigorous rhetorical defense against various US pressures, has taken the offensive in another direction. Having come to the conclusion that it can no longer count on doing business with the US, the government is combatting the diplomatic isolation it feels by turning elsewhere with new and more pragmatic goals.

Certain aspects of this new diplomacy, especially the courtship of Communist nations, may be posturing. But the seriousness of the overall effort seems indisputable. An extensive groundwork has been laid by diverse and intense diplomatic initiatives, and the early achievements have been impressive. Foreign Minister Montes has demonstrated considerable vision in articulating the new directions, while arguments of economic pragmatism have assuaged anti-Communist critics.

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The Argentines have long felt a close kinship with Western Europe and, despite the human rights issue, government-to-government relations have remained relatively good. For example, Paris--despite some domestic pressure over Argentina's human rights record--has lost no time in signaling its willingness to replace the US as a primary source for Argentina's military needs and may provide military training--a field dominated by the US since World War II. Argentina has already purchased 170 jet engines from the French. France and several other nations, including Japan and the Soviet Union, have been approached by Argentine economic officials, who are distressed by the steadily closing doors of US financial institutions. German and possibly Italian firms are anxious to replace Canada and the US in the nuclear area.

The Argentines are also becoming more active on Third World issues. Although they have been encouraged to do so by the French, the move coincides with Foreign Minister Montes' expressed intention to cultivate new relationships--free of ideological constraints. At the nonaligned foreign ministers conference in Belgrade last month, Montes refrained from singling out the US for criticism, but he did condemn the tying of loans to political conditions and the setting of restrictions on the transfer of nuclear technology. Montes termed this "a new form of imperialism" which he said is being selectively applied by powerful nations to developing countries with which they do not share direct strategic interests.

Montes' recent initiatives have served to enhance his personal prestige as the architect of foreign policy, a field in which Argentine presidents have traditionally exercised principal authority. The long-range consequences of this development could be to depersonalize foreign policy decisions while strengthening the already considerable professionalism and bureaucratic expertise within the Foreign Ministry.

Meanwhile, the Ministry of Economy has been promoting the expansion of commercial relations with the Communist countries. As the major rationale, it has pointed to Argentina's highly favorable balance of trade position and

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the attractiveness of East European markets for Argentine exports, particularly agricultural products. Even before the current review of foreign policy began, Martinez de Hoz managed to obtain ratification of a number of agreements with Poland, Romania, and the Soviet Union, which had long been delayed by conservative elements within the military. This anti-Communist bias, shared by President Videla, precludes the purchase of Soviet arms as well as close diplomatic alignment with either Communist or radical Middle Eastern countries.

In matters of foreign economic policy, Economy Minister Martinez de Hoz, who has close personal ties to US financial leaders, has been taking a steadily more active and independent role. In May he visited China and negotiated an agreement to export approximately 1 million tons of grain annually for the next three years. He recently hosted a farewell dinner for the Soviet commercial attache at which he praised the Soviets for their willingness to participate in the Yacyreta hydroelectric project, for which the US has refused to provide credits. An Argentine economic delegation visited Libya, Algeria, and Iraq last month to begin implementation of previously signed bilateral agreements.

Junta member Admiral Massera, whose service staffs the Foreign Ministry, recently visited Romania where he laid the groundwork for Foreign Minister Montes to sign an agreement for cooperation in nuclear energy. Martinez de Hoz may visit Bucharest later this year, and a visit by President Videla is a possibility. Trade is being contemplated with other East European countries as well.

The USSR, which Montes plans to visit later this year, is a relatively minor trading partner. Nevertheless, the Soviets import far more from Argentina than they export and would welcome an opportunity to correct this imbalance.

Argentina increasingly views its nuclear power program--the most sophisticated in Latin America--as a powerful foreign policy instrument. Last month the head of the Argentine Atomic Energy Commission, Admiral Castro Madero, attended the inauguration of a power reactor that Argentina provided to Peru. The Admiral made the point that this

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marked the beginning of Argentine nuclear cooperation and technology transfer with a number of Latin American countries, including Bolivia, Uruguay, and Ecuador. In addition to enhancing its prestige both at home and abroad, Argentine nuclear exports will earn foreign exchange and provide greater opportunities for the employment of Argentine technicians.

Outlook

Although US pressures have obviously persuaded Argentine leaders to intensify their search for new relationships, they have long wanted to regain their former prestige in Latin America and to break out of what they perceive as geographic isolation from the rest of the globe. The return of domestic peace, expertise in nuclear energy, and a strong standing in international financial circles--thanks to the economic management skills of Martinez de Hoz--have provided the means to follow a more sophisticated and independent foreign policy.

The Argentines obviously want to maintain good relations with Washington. Not only is the US their primary source of imports, but a serious deterioration in relations would have a negative impact on international financial institutions. At the same time, however, the widening of Argentina's involvement in international affairs will cause its relations with the US to become both more complex and more balanced than they have been.

Even if US relations with Buenos Aires were to improve dramatically, it would be difficult for Argentine leaders to alter the independent course they have embarked on. Their successful efforts to forge new ties have bolstered their confidence and prestige, and have expanded the horizons of their diplomatic options. Since many of the agreements they are now signing are long range in scope, they will doubtless lead to other forms of cooperation. Despite the strong economic logic and mutual profitability of good relations between Argentina and the US, their continuation can no longer be taken for granted.

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